Implementation of Russia's World Trade Organization (WTO) Commitments
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Good morning. USRBC appreciates the opportunity to offer testimony on Russia's implementation of its WTO obligations. Our association strongly supported Russia's WTO accession efforts, and we welcomed Russia's entry into the WTO last year. Russia is now inside the global system of established, enforceable multilateral trade rules.

USRBC also played an important role in ensuring that U.S. companies would benefit from Russia's commitments by working for enactment of PNTR with Russia.

At the outset, let me say that the USRBC recognizes that, at the time of accession, Russia had a legal regime in place allowing compliance with many of its WTO obligations and it has implemented many WTO obligations during the first year of its membership.

At the same time, outstanding issues remain that are of interest to the business communities in the United States and Russia.

I provide an overview in my comments this morning.

In the area of Standards and Technical Barriers to Trade, in many cases, Russia appears to be complying in good faith with its WTO commitments. This is a critical area that affects a broad range of goods, and the transparency principles associated with these commitments can accelerate mutually beneficial commercial cooperation.

USRBC and its members were also pleased to see the recent announcement by Russia that it has formally joined the Information Technology Agreement (ITA). We welcome the multiplier effect that permitting the duty-free entry of IT products into Russia will likely have on innovation, productivity and growth.
Russia’s application of the WTO’s national treatment principle in some cases runs counter to its WTO commitments. For example:

Russia’s recycling fee on imports of motor vehicles still does not apply to domestic producers in Russia or Russia’s Customs Union partners.

Separately, local pharmaceuticals companies are able to annually adjust the prices for drugs included in Russia’s Essential Drugs List, but foreign manufacturers cannot.

With respect to SPS measures, Russia has not provided WTO members with its scientific justification for adopting standards that are stricter than international norms for residue levels of the feed additive ractopamine.

And Russia does not consistently recognize the authority of U.S. inspectors to certify that meat, poultry and other food production facilities adhere to accepted standards.

Under the category of trade in goods, we can highlight three areas of concern:

1. Russia has not fully implemented its obligations with respect to import licensing procedures for “mass market” products with encryption.
2. Russia unilaterally changed its applied duties for 370 tariff lines which may represent possible violations of Russia’s bound rates.
3. While Russia committed to reducing cane sugar duties, a Customs Union decision has effectively raised base prices for white sugar in the domestic market.

Russia must abide by the trade remedies rules established in the WTO agreements. One example is a safeguard investigation, the methodology of which has been questioned by the U.S. government. While industry awaits a final Customs Union decision, prices of imported combine harvesters have increased and the accessibility of harvesters to Russian farmers has decreased. Further, we note that safeguard actions are meant to provide temporary relief to enable a domestic industry to invest and refocus in order to grapple with a new set of market realities and competition. USRBC encourages the Russian government and the Customs Union to factor these concerns into their deliberations.
Russia’s adherence to its commitments under the WTO’s TRIMs Agreement continues to generate concerns.

While the terms of Russia’s accession permit rules in the automotive sector that incentivize local production and provide preferential tariff rates for imported components, we encourage Russia to adopt policies that will help it prepare for the auto investment regime’s phase-out and enhance competition and consumer choice in the market.

Recent Russian government proposals would extend localization and local content requirements in the healthcare sector.

In the area of Intellectual Property Rights, Russia has made considerable advances in complying with WTO standards and the TRIPs Agreement, and the creation of a specialized intellectual property rights court is positive development for IPR enforcement in Russia.

Russia should consider additional enforcement measures, most notably with respect to internet piracy. Illegal end-user piracy of software continues to be a significant challenge in Russia.

Separately, an implementing procedure or mechanism is needed to enact pharmaceutical regulatory data protection in the Law on Medicines.

In closing, USRBC would point to several areas in which Russia’s efforts to advance transparency, accessibility and efficiency would enhance increased trade and growth in the United States and Russia: We encourage Russia to:

- Improve procedures and enhance staffing for customs clearance;
- Consider industry WTO-consistent proposals under the new payments law that would use clearing and processing infrastructure located outside of Russia;
- Work with its Customs Union partners to establish a dialogue between the EEC bureaucracy and relevant stakeholders before action is taken on regulatory matters; and
✓ Adopt non-discriminatory policies in procurement that allow for access to a wider range of products and services, particularly in the healthcare arena – even though we recognize that Russia is not yet a party to the Government Procurement Agreement; and
✓ Appoint a permanent representative to the WTO as soon as is feasible to improve engagement on issues important to Russia’s trade partners and on issues that affect Russia’s own interests.

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The USRBC offers its continued support to both the Russian and United States governments to provide input on outstanding issues related to the implementation of Russia’s WTO accession commitments. We look forward to utilizing opportunities created by Russia’s WTO accession and enactment of PNTR to contribute to the prosperity of both of our nations. Thank you.